



## **NYSERDA's Home Performance with ENERGY STAR Program Leveraging Contractors' Ability to Sell Home Energy Upgrades**

The Energy \$mart program run by the New York State Energy Research and Development Authority (NYSERDA) created a statewide network of key partners – contractors, local groups, retailers, and manufacturers – to offer energy-efficiency education, products, and financing for New Yorkers. Energy \$mart supports the comprehensive home energy improvement market with both supply- and demand-side initiatives. The program is notable for paying a portion of contractors' marketing costs for energy improvements. NYSERDA has leveraged \$3.5 million of cooperative marketing funds with over \$10 million of total contractor marketing expenditures, and more than 32,000 homes have been upgraded through the program since 2001.

### **Background**

New York State Energy Research and Development Authority (NYSERDA), a public benefit corporation funded by state utility- ratepayer System Benefits Charges, operates the New York Energy \$mart initiative. This initiative includes an Home Performance with Energy Star (HPwES) program that encourages comprehensive energy upgrades in existing one- to four-unit residential homes through an independent network of home-improvement contractors accredited by the Building Performance Institute (BPI).<sup>1</sup> To participate, a homeowner contacts a contractor from the list of approved contractors available on the Energy \$mart website, and the contractor then serves as a one-stop shop—performing a home energy assessment, installing energy improvements, and offering HPwES financing and rebate options.

NYSERDA offers a range of incentives to encourage contractors to participate in the HPwES program including discounts on BPI certification, subsidies for diagnostic equipment, listing on the Energy \$mart website, access to consumer financing options and incentives, use of NYSERDA marketing materials, referrals/leads from NYSERDA's public awareness campaigns, and co-operative advertising reimbursements. Most of these incentives are performance-based, which allows NYSERDA to encourage scale, reward performance, and maximize its resources.

### **Two-Tiered Advertising Strategy**

While contractors are the key point of customer contact, Energy \$mart runs an extensive marketing campaign (involving television, radio, newspaper, direct mail, public relations, and special events) to build recognition for HPwES and other NYSERDA programs encouraging residential energy efficiency<sup>2</sup>. NYSERDA's HPwES advertising is intended strictly to help catalyze the development of a robust market for the HPwES program, not to extend NYSERDA's own brand. Contractors mention that this singular focus has contributed to the

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<sup>1</sup> For more information on BPI: <http://www.bpi.org/>

<sup>2</sup> Other programs operated under Get Energy \$mart include the Market and Community Support Program, the CFL Expansion Program, the Communities and Education Program, EmPower New York, and the Buying Strategies and Energy Awareness Program. For more information: <http://www.getenergysmart.org/>



success of establishing the HPwES brand in New York. NYSERDA couples its general HPwES marketing with cooperative advertising incentives that reimburse contractors for a portion of their own advertising expenses. The reimbursement rates and caps are a function of the number of upgrades a contractor completes and range from 25% to 50% of a given advertising expense up to a maximum of \$150,000 annually per contractor.

According to Mike Rogers of the home performance contracting firm GreenHomes America, this two-tiered outreach effort is effective at driving the market. NYSERDA's advertising campaign creates a general awareness about the benefits of home performance, while the cooperative incentives help contractors attract consumers to do comprehensive upgrades where contractor capacity exists. Rogers says, "Program-wide marketing alone runs the risk of giving a message that market infrastructure may not be ready to receive. Programs spend a lot of money getting homeowners to pick up the phone, but if qualified contractors aren't there to provide home energy services, you end up with a frustrated homeowner. If you frustrate a homeowner on the first call, getting them to make energy improvements in the future becomes a much more difficult task."

Advertising materials must be pre-approved and include specific mention and visual placement of program messages and brands. By requiring contractors to get materials pre-approved, the cooperative advertising incentives allow NYSERDA to coordinate contractor messaging with its broader marketing campaign. This messaging consistency is important to avoid consumer confusion on the "best approach" to making one's home more efficient.

## **Point-of-Sale Training and Messaging**

NYSERDA operates a one-day training program in sales and marketing that teaches contractors skills on communicating the importance of HPwES and a whole-house approach to energy efficiency. This training focuses on the customer experience and addresses some of the key hurdles to converting leads into jobs. Experienced whole-home energy-efficiency contractors note that programs often spend a lot of time on technical training but not nearly enough on showing contractors how to make a living performing energy efficiency improvements. HPwES programs typically add overhead costs to businesses and contractors must be able to educate homeowners and communicate the benefits of a whole-home approach to energy efficiency to beat out their competitors. While a number of messages have been explored, the Get Energy Smart and HPwES advertising campaigns focus on saving money. NYSERDA has done extensive focus-group analysis and found that about three in four people say that understanding the amount of money is most effective in encouraging them to invest in home energy improvements.



## Impact and Evaluation

Since 2001, over 32,000 home energy upgrades worth more than \$247 million have been completed through HPwES by approximately 250 participating contractors<sup>3</sup>. These improvements have saved over 22 million kWh and over 1 million MMBTU to date. All of the program's active contractors have used NYSERDA incentives to earn BPI certifications. Since 2003, HPwES penetration of New York's home remodeling market has climbed from less than 0.5% to approximately 3% annually. NYSERDA has paid almost \$3.5 million to contractors since the cooperative advertising initiative began in 2001. This public spending enhances contractors' ability to convert marketing expenditures into jobs and has been leveraged into over \$10 million of total contractor spending on outreach. Over 20% of active HPwES contractors used the cooperative marketing in 2010. NYSERDA is considering developing templates that will create uniformity and benefit smaller contractors, who have been less active in using these incentives. In addition to helping contractors piggyback on NYSERDA's HPwES branding efforts, these incentives help them market their services directly to customers *and* capitalize on the inherent value of the contractor-customer relationship in recruiting new customers and converting leads into comprehensive upgrades.

NYSERDA's HPwES advertising also has reinforced confidence in the organization's long-term commitment to HPwES and helped convince contractors that the time and expense required to get BPI certified and invest in diagnostic equipment are worth it. Public programs are often short-lived and a couple years are not enough time for the public to understand a program's opportunities or for contractors to take advantage of them. Mike Rogers of GreenHomes America notes that "(w)hole home energy-efficiency retrofits are not as sexy as iPads, and it takes time for traction to develop."

As part of a broader campaign to develop a robust whole-home energy improvement market in New York, HPwES cooperative advertising incentives allow NYSERDA to leverage its advertising dollars and control the message while harnessing contractors to sell the program. Contractors benefit from the financial assistance and NYSERDA's broader HPwES branding campaign.

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<sup>3</sup> For more information, please visit New York's 2010 System Benefits Charge Programs Evaluation and Status Report available here: [http://www.nyserda.org/pdfs/sbc\\_annualprogramsevaluation\\_statusreport\\_end2009.pdf](http://www.nyserda.org/pdfs/sbc_annualprogramsevaluation_statusreport_end2009.pdf)